

Wellington Merchants Limited

19 September 2016

<Full name>
<Address1>
<Address2>
<Address3>
<City> <Post Code>
<Country>

Dear Shareholder

Mercantile Offer is Unconditional - Decide now whether to accept its offer of \$3.45 per share

The Closing Date for the Mercantile NZ Limited ('Mercantile') takeover offer dated 23 August 2016 for all of the issued capital of Wellington Merchants Limited ('Company' and 'Offer') is **6 October 2016** (although in limited circumstances the Offer can be extended). Mercantile now controls more than 50% of the Company's shares and the Offer is now unconditional. You need to decide promptly whether to accept the Offer.

Have you received all the documents?

You should by now have received the offer documents from Mercantile for all your shares in Wellington Merchants Limited (formerly called "Kirkcaldie & Stains Limited"). You should also have received our "Target Company Statement" and the independent adviser's report prepared by Northington Partners ('Independent Adviser's Report'). If you have not received these documents or you have mislaid them, please contact:

operations@linkmarketservices.co.nz

Those of you who have already accepted the Offer need not take any further action.

For those of you who have yet to accept the Offer we remind you that the Board of Wellington Merchants unanimously recommended acceptance of the Offer and the independent report by Northingtons concludes that 'the \$3.45 Offer Price exceeds the top end of [their] value range.' We urge you now to decide whether you wish to do so. If so, you should sign and return your acceptance form promptly.

Set out below is our assessment of the current position.

Current acceptances

On 19 September 2016 Mercantile announced to NZX that on Friday 16 September 2016 it had received total acceptances in respect of 50.522% of the total issued shares in the Company. Mercantile has therefore declared the Offer unconditional. By the time you receive this letter the level of acceptances will have increased.

We understand this total includes acceptances from the Company's two largest shareholders.

The 50.522% does not include the 9.94% already held or controlled by Mercantile Investment Company Limited (Mercantile's holding company). Adding this existing parcel means that Mercantile and its parent have the ability to hold or control at least 60.465% of the total voting rights in the Company. This figure will increase as further acceptances are received.

Mercantile must now take, and pay for, all shares in respect of which it receives valid acceptances.

Implications if threshold for compulsory acquisition not reached

If Mercantile and its parent company together hold or control more than 90% of the Company's shares the compulsory acquisition procedures of the Takeovers Code will be invoked. If not, then non-accepting shareholders will be left as minority shareholders alongside Mercantile as the majority controlling shareholder. Unless the compulsory acquisition procedures are invoked, Mercantile cannot acquire further shares under the 'creep' provisions of the Takeovers Code until a period of 12 months has passed.

Both the Target Company Statement and the Independent Adviser's Report commented on the implications for shareholders of remaining as shareholders alongside another shareholder who controlled more than 50% of the shares (i.e. Mercantile).

Two key implications are:

- Mercantile will have effective control of the Company's operations (other than in cases where it is excluded from voting under the NZX Listing Rules) including whether or not the Company would be put into liquidation; and
- Non-accepting shareholders are likely to be shareholders in a very small company with very low liquidity.

For further explanation of the implications of Mercantile achieving a majority shareholding, please refer to the Target Company Statement (in particular, the Directors' Letter to Shareholders and paragraphs 15.2e and 15.2f) and section 2.3 of the Independent Adviser's Report.

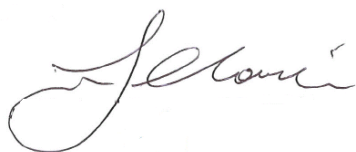
Don't inadvertently miss the Closing Date of 6 October 2016

The Closing Date of the Offer is 6 October 2016. Mercantile is not obliged to keep the Offer open beyond this date and could close the Offer on that date and simply take up only those shares for which it has acceptances at that date.

In those circumstances, if you remain a shareholder you need to be mindful of the implications we refer to above.

We remind you of our recommendation to **sell**. We encourage you to consider, and make a decision as to whether to accept the Offer in light of your own circumstances well in advance of the Closing Date. Take prompt action to return your signed acceptance forms if you wish to accept.

Yours faithfully



Falcon Clouston
Chairman